NYC Department of Housing Preservation and Development (HPD)

Office of Development, Division of Preservation Finance

Capital Partnership for Affordable Renovation (CPAR) Term Sheet

Program Description	HPD's Capital Partnership for Affordable Renovation (CPAR) loan program is a low-interest loan program for multifamily building owners requiring moderate rehabilitation work. On behalf of HPD, participating Lenders will evaluate projects for eligibility and feasibility, conduct all underwriting and other analyses, and prepare the necessary documentation for submission and approval by HPD. HPD will review the loan packages for compliance, conduct certain due diligence and ensure all necessary approvals, for the Lender to close the loan. While the Lender will be responsible for gathering certain necessary documentation, HPD will be responsible for reviewing those documents and providing final project approval. Participating Lenders must enter into an MOU with HPD to be a Lender in this program. All Lenders listed in this term sheet have entered into an MOU and are authorized to be a CPAR entity. For Lenders interested in participating in the program, please contact **CPARloans@hpd.nyc.gov**.

Eligible Buildings

- Multiple dwellings, including rentals and HDFC co-ops, with three or more units that are able to leverage private financing and have moderate rehabilitation scopes of work. Eligible projects must have average collectible rents at or below 80% area median income (AMI).
  - *Owners of properties financed with federal Low Income Housing Tax Credits should contact hpdyear15@hpd.nyc.gov. Owners of properties that have HUD financing or project-based rental assistance should contact hpdhudmf@hpd.nyc.gov. These projects are not eligible for the Capital Partnership for Affordable Renovation (C-PAR) loan program.*
- This term sheet is for projects requiring moderate rehabilitation only. Moderate rehabilitation (Mod Rehab) consists of:
  - Any building that contains a scope that affects 2 or more systems (e.g. heating, plumbing, electric, roof, windows, façade,) and does not meet the definition below of substantive rehabilitation (Sub Rehab) is considered Mod Rehab. This may include replacement or refurbishment of building systems, equipment, or fixtures, but must include that is capitally eligible.
  - For the purposes of defining Mod Rehabs, “affecting” a system would include “replacement” or “refurbishment” of at least 50% of the components, equipment or fixtures in a system (e.g., heating system, envelope system, structural system) or a sub-system (e.g., heating distribution system, windows, flooring system).
- Projects with scopes of work meeting the definition of substantial rehabilitation as defined below are not eligible and should refer to the Participation Loan Program (PLP) term sheet. Substantial rehabilitation are projects with scopes that include all three of the following items:
  - Heating system replacement (includes equipment and distribution system)
  - Work in at least 75% of dwelling units (including but not limited to fixture replacements)
  - Substantial work on building envelope (including replacement or alteration of >50% of total glazing area or >50% of total opaque envelope).
  - More information on HPD’s Rehab Classifications can be found online: https://www.nyc.gov/assets/hpd/downloads/pdfs/services/rehab-classification-matrix-and-definitions.pdf
- The following project types are also ineligible for the C-PAR loan program:
  - No projects requiring an over-term-sheet subsidy
  - No projects that include acquisition costs
  - No substantial rehab
  - No projects with federal financing (Low Income Housing Tax Credits/ Existing Project Based Vouchers)
  - No HUD 202 projects
  - No supportive housing or SARA projects
  - No Mitchell-Lamas cooperative or rentals (other coops allowed)
  - No projects that require rent restructuring
  - No projects requiring long-term relocation of tenants outside of the project buildings
  - No NYS Electrification Pilot

HPD Loan Amount

Maximum HPD subsidized loan amount: up to $80,000 per unit
Loan term: 30 years
See “Fees and Closing Costs” below for additional requirements

HPD and lender will consider available funding sources in the following order: existing excess project reserves, excess cashflow during construction, and HPD subsidy. HPD will also evaluate and determine the project’s ability to repay outstanding loans.

HPD Loan Terms: General

Type	Amount	Notes
Construction Term Interest Rate	1% per annum plus 0.25% servicing fee	Paid rate may be reduced to ensure minimum Income to Expense (I/E) and Debt Service Coverage Ratio (DSCR) coverages are met any accrued and deferred interest is to be paid as a balloon at maturity of the permanent loan.
Debt Service Coverage	1.15 DSCR	
Loan to Value	90% for for-profit borrowers 98% for HDFC cooperatives and non-profit borrowers	
Permanent Loan Interest Rate	Set at the long-term monthly compounding Applicable Federal Rate (AFR) with a minimum floor of 2.5% (compounding monthly)	The required paid rate of 1% per annum (inclusive of 0.25% servicing fee) is due during the permanent loan period. Paid rate may be reduced to ensure minimum I/E and DSCR coverages are met. Any unpaid interest will defer and accrue, to be paid as a balloon at maturity.
Amortization	Reverse Amortization	
Income to Expense Coverage	1.05	
Vacancy and Collections Loss Rate	5% for Residential 10% for Commercial	
Hard Cost Contingency	10%	
Soft Cost Contingency	5%	
Lender Fees	Up to 1% of Lender loan + any HPD subsidy	
Letter of Credit or Payment and Performance Bond	10% of hard costs excluding contingency	
Reserves	Operating Reserve, the greater of 4 months maintenance and operating expenses and debt service, or senior lenders requirements Replacement Reserve of $350 per residential unit per year, increasing at 3% annually. Reserves must remain an asset of the project for the duration of the regulatory term	

HPD will require refinancing for all subordinate debt. HPD will not permit refinancing cash outs.

HPD Equity Requirements

For-profit developers: minimum of 5% of total development cost less existing debt, and reserves.

Non-profit developers: No equity requirement

Design and Construction Requirements

Project scopes of work must meet HPD's construction and design specifications. HPD's Preservation Design Guidelines establish minimum design standards that ensures that all HPD projects can meet NYC's climate goals and laws while incorporating best practices for resiliency, health, and safety:

- Note that projects with scopes that are maintenance only, or do not affect 2 or more systems (e.g., plumbing, heating, roof, etc.) are not subject to the Guidelines but must comply with the applicable requirements for that section of the Guidelines (e.g., heating equipment must comply with requirements for heating systems).
- Projects will need to fill out and submit the Design Guidelines Workbook to the Lender and to HPD's Sustainability team for review. The Lender, Borrower and Architect will review the Design Guidelines Checklist to ensure the project's overall compliance with the Design Guidelines.

HPD's Design Guidelines for Preservation are available online at: https://www.nyc.gov/site/hpd/services-and-information/preservation-design.page

Fees and Closing Costs

Type	Amount	Notes
Construction Signage Fee	$100 per building	
Equal Opportunity Review Fee	$1,400 per project	
HPD Closing Fee	.5%	Waived for not-for-profit borrowers
HPD Commitment Fee	1% of the portion of the mortgage funded by HPD	Waived for not-for-profit borrowers

Fees must be paid by borrowers at closing and may not be covered by the HPD loan.

Regulatory Requirements

Projects will be subject to at least 30-year HPD-issued and enforced regulatory agreement with the following general requirements:

Housing Development Fund Corporation (HDFC)Cooperatives

- Current and future units must be sold to households whose incomes do not exceed 120% of AMI
- Shareholders can only sell units to eligible households only, with the sale price restricted to an amount affordable to a household earing 120% of AMI.
    - Projects with sales prices above 120%AMI must receive a waiver from HPD
- The HDFC may not rent vacant units; any current or future vacant rental units must be sold to eligible households
- The HDFC must employ professional paid management services, management fee not to exceed an all inclusive rate of 8%; HPD approval required for all management companies.
- The HDFC must employ a coop monitor acceptable to HPD within one year of construction completion.
- The building must maintain a monthly replacement reserve account equal to 5% of Effective Gross Income.
- Maintenance charges must increase by at least 2% annually.
- Annual rent rolls and certified financial statements will be submitted to HPD on an annual basis. HPD may additionally request on an annual basis

documentation demonstrating that unit sales have been conducted in accordance with the regulatory terms.

- All residential unit sales must be marketed in accordance with HPD Marketing Guidelines.
- Other documentation will be maintained and submitted to HPD upon request.

Rentals

- 80 % of the units must have rents at or below 80 % AMI. Up to 20% of total units may exceed 80% AMI but must be below 100% AMI and should not exceed a rent level that is 10% below market. Projects with units between 100% AMI and 165% AMI may be considered on a case-by-case basis.
  - Any projects not meeting these requirements may request and must receive a waiver from HPD.
- After closing, all units must be registered with HCR at current AMIs and are subject to increases governed by the Rent Stabilization Code.
- Any units currently not Rent Stabilized must register those rents based on in place rents at the time of closing.
- Rent decontrol is not permitted.
- HPD requires annual submission to its Division of Asset Management of a certified rent roll, written certification of tenant incomes, and supporting documentation for rent and income determination pursuant to the regulatory agreement.
- At least 15% of the residential units in the project will be reserved for homeless households referred by HPD's Homeless Placement Unit.
- All residential units must be marketed in accordance with HPD Marketing Guidelines.
- Work completed as a result of the financing is not eligible for Individual Apartment Increases (IAIs) or Major Capital Improvement increases (MCIs).

Other Borrower Requirements

Scoping

HPD's expectation is that the scope of work will include critical five year capital needs.

- Projects must complete an Integrated Physical Needs Assessment (IPNA) from a firm that has been pre-qualified by the New York State Energy Research and Development Authority (NYSERDA). The list is available online at: https://www.nyserda.ny.gov/All-Programs/Multifamily-Building-Programs/Integrated-Physical-Needs-Assessment
- The work outlined in the critical, immediate and short-term needs sections of the IPNA must be included in the scope of work.

Aging in Place

- For rental buildings, work to assist tenants aging in place will also be required by HPD and included in the scope of work and the Design Guidelines Workbook. This work will be assessed based on an HPD-generated tenant survey that the owner will be required to distribute.
- Scope items are packaged by room (kitchen and bath) and focus on fall prevention improvements.

Marketing

- All projects must be marketed according to HPD and HDC marketing guidelines through the life of the regulatory agreement.
- HPD's Marketing Handbook is available online at: https://www.nyc.gov/site/hpd/services-and-information/marketing.page
- Projects must use a Qualified Marketing Agent approved via the Qualified Marketing Agent RFQ, please see more information at this link: https://www.nyc.gov/site/hpd/services-and-information/marketing-agent-rfq.page

Benchmarking

- Prior to closing, all projects must comply with HPD's benchmarking protocol using a Benchmarking Software Provider Firm that has been pre-qualified by HDC: https://www.nyserda.ny.gov/All-Programs/Multifamily-Building-Programs/Integrated-Physical-Needs-Assessment
- Projects must submit benchmarking information throughout the full loan and regulatory term.

Economic Opportunity

- Eligible HPD-financed projects will be subject to HPD's economic opportunity programs, including HireNYC and M/WBE Build Up.
- Additional information can be found at: http://www1.nyc.gov/site/hpd/developers/hirenyc.page and https://www.nyc.gov/site/hpd/services-and-information/m-wbe-build-up-program.page

Prevailing Wage for Building Service Workers

- Projects with 120 or more residential units in one or more buildings receiving discretionary City financial assistance of $1 million or more will be required to pay all building service employees no less than the prevailing wage.
- Projects receiving discretionary City financial assistance of $1 million or more will be required to pay all building service employees no less than the protected wage.
- Projects are also subject to Prevailing Wage in City initiated rezoning areas that meet the criteria set forth in the law. In addition, it remains the City's policy to require that, in City initiated rezoning areas, prevailing wage must be paid to all building service employees in new or existing buildings with at least 30 units of residential housing that receive discretionary City financial assistance of $1 million or more with certain exemptions for preservation projects.
- More information is available online at:

Fair Housing & Accessibility

- Developers are required to comply with all applicable Federal, State, and local laws, orders, and regulations prohibiting housing discrimination. The Developer must also construct the project in compliance with all laws regarding accessibility for people with disabilities, including but not limited to the New York City Building Code, the federal Fair Housing Act, the Americans with Disabilities Act, and Section 504 of the Rehabilitation Act of 1973.
- For projects that trigger Section 504, typically those that include in-unit work, projects must submit relevant documentation pertaining to accessibility in the scope of work, Design Guidelines Workbook and the Accessibility Statement. For more information about complying with HPD's Accessibility requirements,

	see here: https://www.nyc.gov/assets/hpd/downloads/pdfs/services/hpd-accessibility-guide.pdf
Real Estate Tax Benefits	• Projects may be eligible for a residential property tax abatement or exemption through the J-51 Program or Article XI. The Article XI exemption may be full to ensure the project can leverage sufficient first position debt. Projects with commercial space will be responsible for paying taxes associated with the commercial space.
Application Process	Participating Lenders Property owners / developers must apply through an initial screener at one of the below list of Lenders: • **Community Preservation Corporation (CPC)** o Link to application: https://communityp.com/cpar o Point of contact: CPARinfo@communityp.com • **Local Initiatives Support Corporation (LISC)** o Link to application: https://www.lisc.org/ny/what-we-do/lending/capital-partnership-affordable-renovation/ o Point of contact: Christine R O'Connell at coconnell@lisc.org For Lenders interested in participating in the program, please contact **CPARloans@hpd.nyc.gov**.
Disclaimer	HPD, in its sole discretion, may, at any time and without prior notice, terminate the program, amend or waive compliance with any of its terms, or reject any or all proposals for funding.